BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

FORTY-SECOND ANNUAL REPORT

for the period ended

March 31, 1992

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TO:

HONOURABLE EDWARD ROBERTS, Q.C.,
Minister of Justice.

Honourable Sir:

We have the honour to submit herewith the Annual Report of the Board of Commissioners of Public Utilities for the period ended March 31, 1992.

We have the honour to be,

Sir,

Your obedient servants,

R.E. Good, Chairperson
L.E. Galway, C.A., M.B.A., Commissioner.

REPORT FOR THE PERIOD 1991-1992

During 1991 it was decided that the Board's reporting period would be changed from the calendar year to conform to that of Government. This was deemed necessary in view of the Board's financing arrangements with the Province. However, the Summary of Orders issued by the Board as contained in this Report pertain to the calendar year 1991 only.

The Board held 4 public hearings during the year. Of these 1 was held under The Motor Carrier Act, 1990 and 3 were held under The Public Utilities Act.

In September, the Board held hearings over a five day period in the matter of a dispute between the Newfoundland Telephone Company Limited and Newfoundland Light & Power Co. Limited as to the interpretation of the Joint Use Agreement entered into by the Companies on June 29, 1988. The Board issued its decision on October 29, 1991.

In November and December, the Board held hearings throughout the Province as directed by the Honourable David S. Gilbert, Minister of Works, Services and Transportation, to conduct a review of the dump truck industry in Newfoundland. The Board will be reporting its findings with recommendations to Government early in 1992.

Pursuant to the Board's responsibility for the regulation of the rates charged for automobile insurance under authority of The Automobile Insurance Act, the Board sponsored a one-day meeting to which representatives of all companies writing automobile insurance in Newfoundland were invited. The Board's actuaries and representatives of eight insurance companies, all major insurers in the Newfoundland market, attended.

This event undertaken by the Board proved beneficial in that it provided the forum for an exchange of views as to the Board's role in the regulation of automobile insurance and issues of concern to the industry.

The Board concluded that similar meetings might be worthwhile in the future, particularly with regard to allowing insurers the opportunity to discuss any relevant information that they feel, should be reflected in the Board's recommended rates for private passenger and commercial classes of vehicles which are determined by actuarial studies and published annually by the Board.

Throughout the year the Members of the Board and supervisory staff attended meetings, both Provincial and National, on matters of concern to the Board.

The following report summarizes the work of the Board during the year under review and also includes the reports of the activities of the various public utilities subject to the jurisdiction of the Board.

PROGRESS REPORTS

DEER LAKE POWER COMPANY LIMITED

Generation at the Deer Lake and Watson's Brook Plants in 1991 totalled 847,410,000 KWH. Total purchased from Newfoundland and Labrador Hydro was 225,500,000 KWH. Secondary energy sales were minimal at just 4,608,850 KWH.

Capital and special repair expenditures in 1991 were minimal because of the poor economic climate. Expenditures totalled $408,000 as compared with $1,202,000 in 1990. Capital expenditures ($380,000) included rehabilitation work at Main Dam and several smaller projects essential to plant operation. The only special repair work ($28,000) was vegetation control on a section of the transmission lines and the canal dykes.

NEWFOUNDLAND LIGHT & POWER CO. LIMITED

The electricity produced by the Company and purchased for resale during 1991 increased by 1.7% to 4,538 million kilowatt hours. Of this amount, 409 million kilowatt hours were generated in the Company's own plants, while 4,129 million kilowatt hours were purchased from Newfoundland and Labrador Hydro.

Electricity sold in 1991 increased by 1.4% to 4,295 million kilowatt hours. However, when adjustments are made to approximate normal weather conditions, the real growth in sales is 0.5%. The number of customers served increased 1.7% to 195,730.

On July 1, 1991, revenue from rates increased approximately 1% because of a decrease in the credit balance of the Rate Stabilization Account (RSA). On December 4, 1991, the Board approved a 2.2% increase in rates charged by the Company on and after January 1, 1992. The rate change was based on a return on average common equity to 13.25% for the test year 1992.

NEWFOUNDLAND LIGHT & POWER CO. LIMITED

Capital expenditure for the year amounted to $43.3 million and is made up as follows:

Energy Supply	$ 1.4 million
Transmission	2.4 million
Substations	4.0 million
Distribution	26.6 million
General Property	3.6 million
Communications	1.6 million
Computing Equipment	3.7 million
TOTAL	$ 43.3 million

THE IRON ORE COMPANY OF CANADA

The Iron Ore Company of Canada reported the number of customers supplied by them with electrical services in the Town of Labrador City.

The figures covering the period from 1986 to 1991 are shown below:

	1986	1987	1988	1989	1990	1991
Domestic	3134	3114	3082	3134	3151	3131
Commercial	140	138	134	134	136	139
Industrial	138	140	142	142	141	142
	3412	3395	3358	3410	3428	3412

MOTOR CARRIER DIVISION

REGISTRATION

At the commencement of 1991, a total of 2069 motor carriers were licensed with the Board. During the year, 132 Certificates/Licenses were issued and 100 were cancelled so that at the end of 1991, a total of 2101 motor carriers were providing services.

A total of 262 applications for amendments were received in addition to applications for new Certificates/Licenses. This compares with a total of 1298 the previous year. The Board also received 15 applications for sale, assignment or transfer of Certificates/Licenses up to March 31, 1991, compared to 82 in the previous year.

A new Motor Carrier Act was proclaimed to take effect April 1, 1991. This new Act eased the regulatory burden of applicants to obtain operating authorities or amendments to existing services.

In addition, the new Act prohibited the sale, assignment, or transfer of a license which prior to its implementation was permitted. Vehicle registration by the Board was eliminated and this activity as well as associated fees charged were transferred to the Motor Registration Division of Department of Works, Services & Transportation. As a result there is no vehicle registration information reported this year.

THE FOLLOWING IS A LIST OF ORDERS WHICH WERE ISSUED BY THE BOARD DURING 1991

SUMMARY OF ORDERS ISSUED UNDER THE PUBLIC UTILITIES ACT, 1989

NAME OF APPLICANT	APPLICATION	DECISION	ORDER NO.
Newfoundland Light & Power Co. Limited	Approval of its capital expenditure budget for 1991.	Approval granted, as requested, as a result of a presentation to the Board.	P.U. 1
Newfoundland Light & Power Co. Limited	Approval of it Weather Normalization Reserve.	Approval granted, as requested, as a result of a meeting of the Board.	P.U. 2
Newfoundland Light & Power Co. Limited	Application for approval to issue Series "AE" First Mortgage Sinking Fund Bonds.	Approval granted, as requested, as a result of a public hearing.	P.U. 3

NAME OF APPLICANT	APPLICATION	DECISION	ORDER NO.
Newfoundland Light & Power Co. Limited	Application for an Order: (i) approving or confirming a Schedule of Rates, Tolls and Charges, (ii) approving or confirming rules and regulations; (iii) dealing with related matters arising from the judicial review of Order No. P.U. 1 (1990).	Interim Approval granted, without a public hearing.	P.U. 4
Newfoundland Light & Power Co. Limited	Order amending P.U. 4(1991) (i) approving or confirming a Schedule of Rates, Tolls and Charges, (ii) approving or confirming rules and regulations; (iii) dealing with related matters arising from the judicial review of Order No. P.U. 1 (1990).	Interim Approval granted, without a public hearing.	P.U. 5
Newfoundland Light & Power Co. Limited	Application for an Order: (i) fixing and determining a rate base; (ii) determining a just and reasonable return; (iii) determining rates of depreciation; (iv) approving a revised Schedule of Rates, Tolls & Charges; (v) approving revision to the rules and regulations.	Inter alia, the calendar year 1992 be used as the Test Year for this application; NP shall file a Schedule of Rates, Tolls & Charges to be applied to consumption on and after Jan. 1, 1992, and file a copy of Rules and Regulations which will become effective immediately to comply with Board's findings, as a result of a public hearing.	P.U. 6

NAME OF APPLICANT	APPLICATION	DECISION	ORDER NO.
Newfoundland Light & Power Co. Limited	Application in compliance with Order No. P.U. 6 requesting approval of revised Schedule of Rates, Tolls and Charges, effective January 1, 1992, and Rules and Regulations effective December 4, 1991.	Approval granted, as requested.	P.U. 7
Newfoundland Light & Power Co. Limited	Approval of a refund of all money billed and collected as a result of the implementation of the Municipal Tax Surcharge pursuant to Order No. P.U. 1 (1990).	Approval granted, as a result of a public hearing.	P.U. 8

SUMMARY OF ORDERS ISSUED UNDER THE MOTOR CARRIER ACT. 1990
AND/OR THE MOTOR VEHICLE TRANSPORT ACT, 1987

NAME OF APPLICANT	APPLICATION	DECISION	ORDER NO.
Baie Verte Service Centre Limited Baie Verte, NF	Application for a Certificate of Public Convenience and Necessity to provide an ambulance service.	Dismissed from the Bench as a result of a public hearing.	M.C. 6
Jones, J. Albert Bell Island, NF	Application for a Motor Carrier Certificate to provide an Irregular General Freight Service etc.	Approval granted, as a result of a meeting of the Board.	M.C. 3
Loomis Armoured Car Service Limited Vancouver, BC	Application for a Motor Carrier Certificate to provide an armoured car service.	Approval granted, as a result of a meeting of the Board.	M.C. 5
Philpott, Joseph A Deer Lake, NF	Application for a Motor Carrier Certificate to provide an Irregular Specialty Tank Freight Service.	Approval granted, as a result of a meeting of the Board.	M.C. 4
Seaboard Liquid Carriers Limited Dartmouth, NS	Application for an amendment to its Motor Carrier Certificate No: 6105 to provide an Irregular Specialty Tank Freight Service.	Approval granted, as a result of a meeting of the Board.	M.C. 2
Owen Smith o/a Green Island Motors Toronto, Ont.	Application for an Extra-Provincial Operating License to provide a specialty auto haulaway service.	Approval granted, as a result of a meeting of the Board.	M.C. 1

SUMMARY OF ORDERS ISSUED UNDER THE AUTOMOBILE INSURANCE ACT
SECTION 50 (2)

NAME OF APPLICANT	APPLICATION	DECISION	ORDER NO.
Atlantic Insurance Company Limited	Application to implement revised rates for its Private Passenger and Commercial classes of business.	Approval granted without a public hearing.	A.I. 20
Cabot Insurance Company Limited	Application to implement revised rates for the Public Liability and Property Damage Section of its Private Passenger class of business.	Approval granted without a public	A.I. 9
Cabot Insurance Company Limited	Application to implement rates for its Commercial class of business.	Approval granted without a public hearing.	A.I. 26
Canadian General Insurance Company	Application to implement revised rates for its Private Passenger class of business.	Approval granted without a public hearing.	A.I. 15
Co-Operators General Insurance Company	Application to implement revised rates for its Public Passenger class of business.	Approval granted without a public hearing.	A.I. 10

NAME OF APPLICANT	APPLICATION	DECISION	ORDER NO.
Co-Operators General Insurance Company	Application to implement revised rates for the following sections of its Miscellaneous Classes: (i) Motorcycles - Collision Coverage and SEF 44; (ii) Snow Vehicles - Third Party Liability and Collision Coverages and SEF 44.	Approval granted without a public hearing.	A.I. 11
Co-Operators General Insurance Company	Application to implement revised rates for its Commercial class of business.	Approval granted without a public hearing.	A.I. 12
Commercial Union Assurance Company of Canada	Application to implement a Rating Program for Private Passenger Vehicles.	Approval granted without a public hearing	A.I. 16
Commercial Union Assurance Company of Canada	Application to implement a Rating Program for Commercial Vehicles.	Approval granted without a public hearing.	A.I. 17
Dominion of Canada Group	Application to amend their Commercial Automobile Rating Program as it applies to interurban vehicles.	Approval granted without a public hearing.	A.I. 1

NAME OF APPLICANT	APPLICATION	DECISION	ORDER NO.
Ecclesiastical Insurance Company, PLC	Application to adopt the Rating Program of the Insurance Corporation of Newfoundland Limited for Private passenger Business written in Newfoundland in the name of the Ecclesiastical Insurance Office, PLC.	Approval granted without a public hearing.	A.I. 6
Facility Association	Application to implement revised rates for its Private Passenger, Commercial and Miscellaneous Classes.	Approval granted without a public hearing.	A.I. 14
Guardian Insurance Company of Canada	Application to implement revised rates for its Private Passenger class of business.	Approval granted without a public hearing.	A.I. 2
General Accident Insurance Company	Application to revise rates for its Private Passenger Vehicle class of business, excluding the Comprehensive and Specified Perils categories.	Approval granted without a public hearing.	A.I. 21
Insurance Corporation of Newfoundland Limited	Application to implement revised rates for Private Passenger class of business.	Approval granted without a public hearing.	A.I. 3

NAME OF APPLICANT	APPLICATION	DECISION	ORDER NO.
Insurance Corporation of Newfoundland Limited	Application to amend the Collision category of its Private Passenger class of business by replacement of the $250.00 deductible with a deductible of $300.00.	Approval granted without a public hearing.	A.I. 25
Johnson & Higgins Ltd. on behalf of the American Home	Application to implement a rating program for automobile physical damage insurance specifically for its client General Electric Capital Equipment Finance (GECEF).	Approval granted without a public hearing.	A.I. 8
Maplex General Insurance Company	Application to adopt the Insurance Corporation of Newfoundland Limited for Private Passenger Business written in Newfoundland in the name of the Maplex General Insurance Company.	Approval granted without a public hearing.	A.I. 5
PAFCO Insurance Company Limited	Application to implement rating program for Private Passenger and Commercial vehicles (Non-standard market).	Approval granted without a public hearing.	A.I. 23
Royal Insurance Company of Canada	Application to implement revised rates for its Private class of business.	Approval granted without a public hearing.	A.I. 13
Royal Insurance Company of Canada	Application to implement revised rates for Third Party Liability Coverage for Taxis.	Approval granted without a public hearing.	A.I. 19

NAME OF APPLICANT	APPLICATION	DECISION	ORDER NO.
Simcoe & Erie General Insurance Company	Application to implement a rating program for Commercial Vehicles.	Approval granted without a public hearing.	A.I. 18
Simcoe Erie Group	Application to adopt the rating program of the Insurance Corporation of Newfoundland Limited for Private Passenger Business written in Newfoundland in the name of the Simcoe Erie Group.	Approval granted without a public hearing	A.I. 7
Unifund Assurance Company	Application to implement revised rates for its Private Passenger class of business.	Approval granted without a public hearing.	A.I. 22
Wellington Insurance Company	Application to implement revised rates for its Private Passenger class of business.	Approval granted without a public hearing.	A.I. 24
Zurich Insurance Company	Application to adopt the rating program of the Insurance Corporation of Newfoundland Limited for Private Passenger business written in Newfoundland in the name of Zurich Insurance Company.	Approval granted without a public hearing.	A.I. 4

Doane Raymond

Chartered Accountants

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Auditors' Report

To the Members of the
Board of Commissioners of Public Utilities

We have audited the balance sheet of the Board of Commissioners of Public Utilities as at March 31, 1992 and the statements of revenue, expenditures and surplus and changes in financial position for the fifteen months then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1992 and the results of its operations and changes in its financial position for the fifteen months then ended in accordance with generally accepted accounting principles.

St. John's, Newfoundland
August 10, 1992

Doane Raymond
Chartered Accountants

A member firm of Grant Thornton International

Board of Commissioners of Public Utilities
Statements of Revenue, Expenditures and Surplus

Fifteen Months Ended March 31	1992	(Note 8) 1990
Revenue		
Assessments	$ 705,748	$ 639,739
Province of Newfoundland operating grant	207,000	
Administrative costs recovery	127,838	117,124
Pension income	24,683	
Investment income	15,877	140,488
Certificates - motor carriers	7,028	709,279
Hearings	6,500	4,750
Fines	1,000	9,495
Applications and amendments		27,057
Miscellaneous	13,560	13,417
	1,109,234	1,661,349
Expenditures		
Bad debts	98,343	
Insurance	315	252
Licence plates	2,948	9,674
Miscellaneous	4,686	11,856
Office supplies and printing	70,908	48,955
Pension costs		159,570
Postage	10,177	10,963
Professional services	245,318	182,546
Rent	178,895	134,432
Salaries and benefits	826,393	747,416
Telephone and telegraph	19,607	17,028
Travelling	15,913	54,047
Travel - memberships and registration	3,879	13,331
	1,477,382	1,390,070
Excess of revenue over expenditures (expenditures over revenue)	$ (368,148)	$ 271,279
Surplus, beginning of period		
As previously reported	$ 526,233	$ 269,988
Adjustment for accrual for severance pay (Note 3)	(117,995)	(133,029)
As restated	408,238	136,959
Excess of revenue over expenditures (expenditures over revenue)	(368,148)	271,279
Surplus, end of period	$ 40,090	$ 408,238

See accompanying notes to the financial statements.

Board of Commissioners of Public Utilities
Balance Sheet

March 31	1992	(Note 8) 1990
Assets		
Current		
Cash and term deposits	$ 544,042	$ 561,160
Receivables		
Hearing costs	326,348	152,598
Assessments and fees		10,312
Accrued interest	1,325	2,229
Prepaid expenses	2,476	810
	874,191	727,109
Investments (Note 4)	35,125	45,125
Designated pensions funds (Note 5)	933,179	916,100
	$1,842,495	$1,688,334
Liabilities		
Current		
Payables and accruals	$ 247,182	$ 144,425
Motor carriers' deposits	200	28,532
Hearing cost deposits	378	1,144
Deferred revenue	492,720	
	740,480	174,101
Accrued severance pay	81,925	117,995
Pension fund obligations (Note 5)	980,000	988,000
	1,802,405	1,280,096
Surplus		
Surplus	40,090	408,238
	$1,842,495	$1,688,334

Commitments (Note 6)

On Behalf of the Board

Chairman

Commissioner

See accompanying notes to the financial statements.

Board of Commissioners of Public Utilities
Statement of Changes in Financial Position

Fifteen Months Ended March 31

	1992	(Note 8) 1990
Cash derived from (applied to)		
Operating		
Excess of revenue over expenditures (expenditures over revenue)	$ (368,148)	$ 271,279
Change in non-cash operating working capital (Note 7)	402,179	108,702
	34,031	379,981
Financing		
Decrease in accrued severance pay	(36,070)	(15,034)
Increase (decrease) in pension fund obligations	(8,000)	84,000
	(44,070)	68,966
Investing		
Decrease in investments	10,000	
Increase in designated pension funds	(17,079)	(916,100)
	(7,079)	(916,100)
Net decrease in cash	(17,118)	(467,153)
Cash and term deposits		
Beginning of year	561,160	1,028,313
End of year	$ 544,042	$ 561,160

See accompanying notes to the financial statements.

1. Nature of operations

The Board regulates public utilities and insurance companies operating in the Province of Newfoundland.

2. Summary of significant accounting policies

Operating revenue and expenditures

Operating revenue and expenditures are accounted for on the accrual basis.

Capital expenditures

The Board follows a policy of writing off all capital expenditures to expense in the year of acquisition.

The estimated cost of equipment and furnishings being utilized by the Board as at March 31, 1992 is $194,000.

Severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay rests with employees with nine years of continual service, and accordingly no provision has been made in the accounts for employees with less than nine years of continual service. The amount is payable when the employee ceases employment with the Board.

3. Change in accounting policy

Severance pay

The change in accounting policy for severance pay to the accrual basis was given retroactive application and consequently the surplus at December 31, 1989 has been adjusted by $133,029, representing the accrued severance pay at that date. The statements of revenue, expenditures and surplus for the periods ended December 31, 1990 and March 31, 1992 have been adjusted by $15,034 and $36,070 respectively to give effect to the net change in accrued severance pay for those periods.

4. Investments, at cost

	Market Value	Cost
Province of Newfoundland and Labrador		
6 3/4% sinking fund debentures, redeemed April 1, 1992	$ 10,000	$ 9,875
10% sinking fund debentures, maturing February 17, 1996	25,063	25,250
	$ 35,063	$ 35,125

5. Pension plan

The designated fund deposited with the Royal Trust Corporation of Canada is recorded at market value as at March 31, 1992.

The pension fund obligations of $980,000 includes the present value of the accrued pension benefits less current payments for four commissioners as indicated by an actuarial report prepared in 1988 plus the pension commitments on behalf of a former commissioner and a former employee of the Board based on estimates prepared by management.

The pension income of $24,683 (1990 - expense of $159,570) includes the income earned, net of management costs, on designated fund assets less the estimated annual future costs of $67,000 as indicated by the actuarial report.

6. Commitments

Rentals

The Board has annual commitments for rental of equipment and office space of approximately $163,000 for the year ending March 31, 1993 and varying amounts for the following five years.

7. Change in non-cash operating working capital

	1992	(Note 8) 1990
Receivables	$(162,534)	$ 102,549
Prepaid expenses	(1,666)	13,970
Payables and accruals	102,757	(7,589)
Motor carriers' deposits	(28,332)	627
Hearing cost deposits	(766)	(855)
Deferred revenue	492,720	
	$ 402,179	$ 108,702

8. Comparative figures

The 1990 comparative figures are based on financial statements for the twelve months ended December 31, 1990.

Certain of the 1990 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1992.